

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-15 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-05 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 PA-02 PRS-01 /108 W
-----016766 091041Z /11

P R 090910Z NOV 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 2608
TREASURY DEPT WASHDC PRIORITY
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

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BRUSSELS FOR USEEC

PARIS ALSO FOR USOECD

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS -- NOV 3-9

REF: TOKYO 16741

1. SUMMARY: PRIME MINISTER HEADS OFF TALK OF INCREASED
DEFICIT SPENDING. YEN RESUMES GRADUAL RISE. NEW MACHINERY
ORDERS OFF IN SEP; CAR SALES UP A LITTLE IN OCT. LITTLE
CHANGE IN BANKRUPTCIES IN OCT. CONSUMER PRICE INFLATION
SLOWED IN OCT. END SUMMARY.

2. PRIME MINISTER FUKUDA IS REPORTED TO HAVE TOLD THE
MINISTRY OF FINANCE (MOF) ON OCT 8 TO PREPARE A BUDGET
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FOR FY 78 THAT WOULD NOT EXCEED THE 30 PERCENT LIMIT FOR
BOND DEPENDENCE. WITHIN THIS LIMIT, THE PRIME MINISTER
REPORTEDLY TOLD THE MOF TO GIVE TOP
PRIORITY TO STIMULATING BUSINESS ACTIVITY AND REDUCING
UNEMPLOYMENT. HE ALSO ASKED THAT WORK ON THE BUDGET BE
COMPLETED BY DECEMBER SO THAT TIMELY DIET APPROVAL COULD
BE ASSURED. THE PRIME MINISTER'S INSTRUCTIONS FOLLOW

SEVERAL DAYS OF PRESS PECULATION THAT GOVERNMENT BORROWING NEXT YEAR WOULD BE ALLOWED TO EXCEED 30 PERCENT OF GENERAL ACCOUNT BUDGET EXPENDITURES BECAUSE OF INCREASING PRESSURE FOR EXPANSIONARY FISCAL POLICY. WITH THE RAPID RISE IN THE YEN THERE HAS BEEN A GROWING CHORUS OF VOICES CALLING FOR THE GOVERNMENT TO TAKE STEPS TO OFFSET ANY CONTRACTIONARY EFFECTS ON THE DOMESTIC ECONOMY AND TO PROVIDE A NET INCREASE IN DEMAND EVEN IF IT REQUIRES ABANDONING THE 30 PERCENT RULE.

3. AFTER EASING TO 248.95 (CENTRAL) ON FRIDAY NOV 4, THE YEN GRADUALLY GAINED GROUND IN SLOW TRADING ON MONDAY AND TUESDAY. ON WED, NOV 11, THE YEN MOVED SHARPLY HIGHER TO 246.90 WITH HEAVY BUYING REPORTED. PRESS REPORTS PUT BANK OF JAPAN INTERVENTION AT \$50 MIL ON NOV 4, \$10 MIL ON NOV 7, \$10 MIL ON NOV 8, AND \$40-50 MIL ON NOV 8.

4. AS REPORTED REFTTEL, TOKYO CONSUMER PRICE INDEX ROSE 0.3 PERCENT IN OCT (N.S.A.) AND IS NOW 7.6 PERCENT HIGHER THAN YEAR EARLIER. NATIONAL CPI IN SEPT ROSE 1.8 PERCENT (M.S.A.) TO 120.2 SHOWING 7.6 PERCENT YEAR-OVER-YEAR INCREASE.

5. NEW MACHINERY ORDERS, SEASONALLY ADJUSTED, SLIPPED
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IN SEPT AFTER SHARP ADVANCE IN AUG. QUARTERLY FIGURES FOR JUL-SEP SHOW A DROP FOR SECOND STRAIGHT QUARTER. NEW MACHINERY ORDERS PLACED BY GOVT AND PUBLIC AGENCIES FELL BY 20.4 PERCENT IN SEP AFTR LARGE 67.6 PERCENT INCREASE IN AG. PRIVATE ORDERS (EXCLUDING SHIPS) ALSO DECLINED IN SEP BY 25.5 PERCENT AFTER REGISTERING INCREASES IN PRECEDING THREE MONTHS. FOR JUL-SEP QUARTER 1977, NEW PRIVATE MACHINERY ORDERS DECLINED 8.9 PERCENT, WITH ACCELERATING RATE OF DECLINE FROM SECOND QUARTER. NEW MACHINERY ORDERS PLACED BY PUBLIC SECTOR, ON THE OTHER HAND, CONTINUED STRONG IN THE THIRD QUARTER, INCREASING 17.7 PERCENT ON TOP OF THE 18.1 PERCENT GROWTH IN THE SECOND QUARTER.

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NEW MACHINERY ORDERS, SEASONALLY ADJUSTED
(BIL YEN; PCT CHANGE FROM PRIOR PERIOD IN PAREN)
PRIVATE ORDERS EXCL. GOVT AND PUBLIC
SHIPS (JEI 337) ORDERS (JEI 335)

RECENT QUARTERS (MONTHLY AVEAGE):

1976: OCT-DEC	267.3 (7.3)	82.9 (17.9)
1977: JAN-MAR	271.0 (1.4)	84.6 (2.0)
APR-JUN	250.7 (MIN 7.5)	99.9 (18.1)
JUL-SEP	228.3 (MIN 8.9)	117.6 (17.7)

RECENT MONTHS:

JUL	230.4 (1.1)	87.9 (MIN 43.9)
AUG	260.6 (13.1)	147.4 (67.6)
SEP	194.1 (MIN 25.5)	117.4 (MIN 20.4)

6. NEW CAR REGISTRATIONS IN OCT, SEASONALLY ADJUSTED,
EDGED UP 0.2 PERCENT OVER SEPTEMBER LEVEL, ON TOP OF LARGE
10.1 PERCENT INCREASE IN THE PRIOR MONTH. ON YEAR-OVER-
YEAR COMPARISON OCT 1977 NEW AUTO SALES WERE UP BY 6 PERCENT.
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DURING THE SUMMER MONTHS HEAR-OVER-YEAR COMPARISON HAD
SHOWN A DROP IN NEW CAR SALES.

NEW CAR REGISTRATIONS, S.A.

	PERCENT CHANGE	
	THOUSAND CARS	FROM PRIOR MONTH
AUG	177.1	MIN 15.0
SEP	194.9	10.1

OCT 195.3 0.2

7. THE BANKRUPTCY RATE, NOT SEASONALLY ADJUSTED, ROSE SLIGHTLY IN OCT OVER PRIOR MONTH'S LEVEL. PART OF THE INCREASE REFLECTS SEASONAL FACTORS SINCE BANKRUPTCIES NORMALL RISE IN THE LAST QUARTER OF THE YEAR. THE TWO PRIVATE RESEARCH ORGANIZATIONS WHICH COLLECT STATISTICS PLACED BANKRUPTCY CASES IN OCT AT 1,597 TO 1,598 (N.S.A.), UP 4 PERCENT OVER SEP LEVEL. THE LIABILITIES OF BUSINESS FIRMS DECLARING BANKRUPTCY CAME TO AROUND \$900 MIL (AT 247 YEN/DOL RATE), DOWN 8 TO 9 PERCENT FROM SEP. IMPACT OF SHARP APPRECIATION OF YEN STARTING IN LATE SEPTEMBER HAS NOT YET SHOWN UP IN OCT BANKRUPTCY STATISTICS: ONLY ONE ENTERPRISE DECLARED BANKRUPTCY DUE TO RECENT YEN APPRECIATION DURING OCT.

8. CALL MONEY DEALERS LOWERED CALL MONEY RATES ONCE DURING OCT. EFFECTIVE OCT 12, CALL MONEY RATE (UNCONDITIONAL) WAS REDUCED BY 0.125 PERCENTAGE POINTS TO 4.875 PERCENT PER ANNUM. AS A RESULT, AVERAGE CALL MONEY RATE (UNCONDITIONAL, JEI 178) DECLINED IN OCT TO 4.915 PERCENT PER ANNUM FROM 4.979 PERCENT IN SEP. BILL DISCOUNT RATE HAS REMAINED UNCHANGED AT 5.25 PERCENT PER ANNUM SINCE SEP 5.
MANSFIELD
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Message Attributes

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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
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Enclosure: n/a
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